

Citi Trends Inc  
Form DEF 14A  
April 15, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Citi Trends, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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- (4) Proposed maximum aggregate value of transaction:
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      - (1) Amount Previously Paid:
      - (2) Form, Schedule or Registration Statement No.:
      - (3) Filing Party:
      - (4) Date Filed:
-

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**104 Coleman Boulevard  
Savannah, Georgia 31408  
(912) 236-1561**

April 15, 2010

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Citi Trends, Inc. to be held at 9:00 a.m., EDT, on Wednesday, May 26, 2010, at the Hilton Garden Inn-Airport, 80 Clyde E. Martin Drive, Savannah, Georgia 31408. The formal notice of annual meeting appears on the next page.

In addition to the formal items of business to be brought before the meeting, we will be pleased to report on the affairs of the Company.

We look forward to greeting personally those stockholders who are able to be present at the meeting. However, whether or not you plan to be with us at the meeting, it is important that your shares be represented. Accordingly, you are requested to complete, sign, date and return the enclosed proxy card promptly in the envelope provided.

Very truly yours,

R. Edward Anderson  
*Chairman of the Board of Directors*

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**Citi Trends, Inc.**

104 Coleman Boulevard  
Savannah, Georgia 31408

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
to be held on May 26, 2010**

TO THE STOCKHOLDERS:

You are cordially invited to attend the annual meeting of stockholders of Citi Trends, Inc., a Delaware corporation, which will be held at the Hilton Garden Inn-Airport, 80 Clyde E. Martin Drive, Savannah, Georgia 31408, on Wednesday, May 26, 2010, at 9:00 a.m., EDT, for the following purposes:

1. To elect two directors to the board of directors to serve as Class II directors whose terms will expire in 2013;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011; and
3. To transact any other business properly brought before the meeting or any adjournment or postponement of the meeting.

You can vote your shares of common stock if our records show that you were the owner of the shares as of the close of business on March 29, 2010, the record date for the annual meeting.

For directions to the annual meeting, please call the Hilton Garden Inn-Airport at (912) 964-5550.

**Whether or not you plan to attend the meeting in person, please complete, sign, date and return the accompanying proxy card promptly, so that your shares may be represented and voted at the annual meeting. A return envelope is enclosed for your convenience. No postage need be affixed to the enclosed envelope if mailed in the United States.**

By Order of the Board of Directors,

Bruce D. Smith  
*Executive Vice President, Chief Financial Officer and  
Secretary*

April 15, 2010

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be  
Held on May 26, 2010: The Proxy Statement and our 2009 Annual Report are available at**

*<http://ir.cititrends.com/annual-proxy.cfm>*

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**CITI TRENDS, INC.**

**104 Coleman Boulevard  
Savannah, Georgia 31408**

**PROXY STATEMENT**

**Annual Meeting of Stockholders  
to be held on May 26, 2010**

**GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

This proxy statement is furnished in connection with the solicitation by the board of directors of Citi Trends, Inc. of proxies to be voted at the annual meeting of stockholders on May 26, 2010. This proxy statement, the accompanying proxy card and the annual report to stockholders are being mailed to stockholders on or about April 23, 2010.

The principal executive offices of Citi Trends, Inc., a Delaware corporation, are located at 104 Coleman Boulevard, Savannah, Georgia 31408, and our telephone number is (912) 236-1561.

The terms "Citi Trends" or the "Company" (as well as the words "we," "us" and "our") refer to Citi Trends, Inc. References to "you" or "your" refer to our stockholders.

In this section of the proxy statement, we answer some common questions regarding the annual meeting of stockholders and the voting of shares of common stock at the meeting.

**Where and when will the annual meeting be held?**

The date, time and place of the meeting are: May 26, 2010, at 9:00 a.m., EDT, at Hilton Garden Inn-Airport, 80 Clyde E. Martin Drive, Savannah, Georgia 31408. For directions to the meeting, please call the Hilton Garden Inn-Airport at (912) 964-5550.

**Why did you send me this proxy statement?**

This proxy statement was prepared under the direction of our board of directors to solicit your proxy for voting at our annual meeting. We sent you this proxy statement and the enclosed proxy card because our board of directors is asking for your proxy to vote your shares at the annual meeting. We have summarized information in this proxy statement that you should consider in deciding how to vote at the meeting. But you do not have to attend in order to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

**What can I vote on at the meeting?**

The matters scheduled to be voted on at the meeting are:

- (1) The election of two directors to our board of directors to hold office until the annual meeting of stockholders in 2013 and until their successors are elected and qualified; and
- (2) Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011.

**How does the board of directors recommend that I vote?**

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The board of directors recommends that you vote your shares "FOR" each of the nominees to the board of directors and "FOR" the ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011.



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**Who can vote?**

You can vote your shares of common stock if our records show that you were the owner of the shares as of the close of business on March 29, 2010, the record date for determining the stockholders who are entitled to vote at the annual meeting. As of the close of business on March 29, 2010, there were a total of 14,853,609 shares of our common stock outstanding and entitled to vote at the annual meeting. You get one vote for each share of common stock that you own. Holders of shares of common stock do not have cumulative voting rights. The enclosed proxy card shows the number of shares you can vote.

**What is the required vote for approval?**

The election of our nominees for director requires a plurality of the votes cast at the annual meeting. The ratification of the appointment of KPMG LLP as our independent registered public accounting firm requires a majority of the votes cast at the annual meeting on such matter.

**How are votes counted?**

We will hold the annual meeting if stockholders representing the required quorum of shares of common stock entitled to vote either sign and return their proxy cards or attend the meeting in person. One third of the shares of common stock outstanding and entitled to vote at the meeting present in person or by proxy will constitute a quorum. If you sign and return your proxy card, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote as indicated on the proxy card.

Votes withheld from a director nominee, abstentions and broker non-votes will be counted as shares present for the purpose of determining a quorum but will not be counted in determining the number of shares voted "for" a director nominee or votes cast "for" or "against" the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm.

**How do I vote?**

Stockholders of record may vote in person by attending the annual meeting or by completing and returning the proxy by mail. Your vote is very important, so whether you plan to attend the annual meeting or not, we encourage you to vote by proxy as soon as possible.

**How do I vote by proxy?**

Follow the instructions on the enclosed proxy card to vote on the matters to be considered at the annual meeting. The individuals named and designated as proxies in the proxy card will vote your shares as you instruct. If you do not mark a selection, your proxy will be voted as recommended by the board of directors.

You have the following choices in completing your proxy:

You may vote on each proposal, in which case your shares will be voted in accordance with your choices.

In voting on the nominees for director, you can either vote "FOR ALL" the nominees or withhold your vote on the nominees as a group or for any particular nominee.

You may abstain on the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm, in which case no vote will be recorded on that matter.

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You may return a signed proxy card without indicating your vote on any matter, in which case the designated proxies will vote to elect all of the nominees as directors and ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011.

**How do I vote if my shares are held in "street name"?**

If your shares are held in the name of your broker, a bank or other nominee, that party will give you instructions for voting your shares. Under the rules of the New York Stock Exchange, if you do not give instructions to your bank or brokerage firm, it will still be able to vote your shares with respect to certain "discretionary" items, but will not be allowed to vote your shares with respect to certain "non-discretionary" items. In the case of non-discretionary items, the shares will be treated as "broker non-votes." If you do not provide voting instructions to your bank or broker, under a recent rule change the organization that holds your shares will not be authorized to vote on the election of directors. Accordingly, we encourage you to vote promptly, even if you plan to attend the annual meeting.

**What if other matters come up at the annual meeting?**

The only matters we now know of that will be voted on at the annual meeting are the proposals we have described in this proxy statement: the election of the directors and the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011. If other matters are properly presented at the meeting, the designated proxies will vote your shares in their discretion.

**Can I change my vote after I return my proxy card?**

Yes, so long as you are the record holder and not a nominee holder of the shares. At any time before the vote on a proposal, you can change your vote either by giving us a written notice revoking your proxy card or by signing, dating and returning to us a new proxy card or by attending the annual meeting and voting your shares in person. We will honor the proxy card with the latest date.

Proxy revocation notices or new proxy cards should be sent to Citi Trends, Inc. c/o American Stock Transfer and Trust Company, 6201 15th Avenue, Brooklyn, New York 11219.

**Can I vote in person at the annual meeting rather than by completing the proxy card?**

Although we encourage you to complete and return the proxy card to ensure that your vote is counted, you can attend the annual meeting and vote your shares in person even if you have submitted a proxy card if you are a stockholder of record on the record date. If your shares are held in street name, then you may vote your shares in person only if you have a legal proxy from the entity that holds your shares giving you the right to vote the shares. A legal proxy is a written document from your brokerage firm or bank authorizing you to vote the shares it holds in its name. If you attend the meeting and vote your shares by ballot, your vote at the meeting will revoke any vote you submitted by mail.

**What do I do if I receive duplicate proxy statements and cards?**

You may receive more than one proxy statement, proxy card or annual report. This duplication will occur if you have shares registered in different names or your shares are in more than one type of account maintained by American Stock Transfer and Trust Company, our transfer agent. To have all your shares voted, please sign, date and return all proxy cards.

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**Who will count the votes?**

American Stock Transfer and Trust Company will tabulate the votes. Corporate Communications, Inc. will serve as the inspector of election.

**Who will conduct this proxy solicitation and who pays for this proxy solicitation?**

We regularly retain the services of Corporate Communications, Inc. to assist with our investor relations and other stockholder communications issues. Corporate Communications, Inc. will assist in the solicitation of proxies and will not receive any additional compensation for these services. Corporate Communications, Inc. may solicit proxies by telephone, facsimile, other forms of electronic transmission and by mail. We will reimburse the firm's expenses in connection with the solicitation. In addition, proxies may be solicited on our behalf by our directors, officers or employees in person or by telephone, facsimile, electronic transmission and by mail. None of these persons will receive any extra compensation for doing this.

In addition, we will request that brokerage houses, banks and other custodians or nominees holding shares in their names for others forward proxy materials to their customers or principals who are the beneficial owners of shares and we will reimburse them for their expenses in doing so.

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**PROPOSAL 1:  
ELECTION OF DIRECTORS**

Our board of directors currently consists of six directors, R. David Alexander, Jr., R. Edward Anderson, Brian P. Carney, Lawrence E. Hyatt, John S. Lupo, and Patricia M. Luzier. Our directors are divided into three classes having staggered three-year terms, so that the term of one class expires at each annual meeting of stockholders. Two nominees will be proposed for election as Class II directors at the annual meeting.

It is intended that the persons named in the accompanying proxy will vote to elect the nominees listed below unless authority to vote is withheld. The elected directors will serve until the annual meeting of stockholders in 2013 or until an earlier resignation or retirement or until their successors are elected and qualify to serve.

The nominees have agreed to stand for election and are available for election. However, if a vacancy in the slate of nominees is caused by death or other unexpected occurrence, it is intended that shares represented by the accompanying proxy will be voted for the election of a substitute nominee selected by the persons named in the proxy.

**Nominees for Election as Class II Directors**

Brian P. Carney currently serves as a Class II director whose term expires at the annual meeting. Mr. Carney has been nominated by our board of directors to stand for re-election at the annual meeting for a three-year term expiring in 2013.

Mr. Carney currently is a member of the Audit Committee of our board of directors, a member of the Compensation Committee of our board of directors, and a member of the Nominating and Corporate Governance Committee of our board of directors. Mr. Carney's biographical information is set forth on the following page.

John S. Lupo currently serves as a Class II director whose term expires at the annual meeting. Mr. Lupo has been nominated by our board of directors to stand for re-election at the annual meeting for a three-year term expiring in 2013.

Mr. Lupo is currently Chair of the Compensation Committee of our board of directors, a member of the Audit Committee of our board of directors and a member of the Nominating and Corporate Governance Committee of our board of directors. Mr. Lupo's biographical information is set forth on the following page.

**Vote Required; Recommendation**

The directors will be elected by a plurality of the votes cast so long as a quorum is present at the annual meeting. Unless otherwise indicated on the proxy, properly executed proxies will be voted to elect each of the nominees for director.

**The board of directors recommends that stockholders vote "FOR" each of the nominees for election as Class II directors.**

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**BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS**

**Board Leadership Structure**

The board of directors does not have a set policy with respect to the separation of the offices of the chairman and chief executive officer as the board believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the board. Mr. Anderson held both offices from May 2006 through his retirement as CEO in April 2009, at which time he became Executive Chairman of the board in order to provide for an orderly transition of the CEO role to Mr. Alexander. In April 2010, Mr. Anderson transitioned from Executive Chairman to non-executive Chairman. As a result, the two offices have been separated since April 2009; and the board believes the current structure will enhance the effectiveness of the board as a whole and permits the CEO to focus on the management of the Company's day-to-day operations. However, the board believes it is important to retain the option of combining the offices, depending on the circumstances that exist at any point in time, including in the event of a change in the occupants of one or both of the offices.

Our board of directors consists of six directors (Messrs. Alexander, Anderson, Carney, Hyatt and Lupo and Ms. Luzier), all of whom, except Mr. Alexander and Mr. Anderson, have been determined by the board to be independent under NASDAQ listing standards. Our Second Amended and Restated Certificate of Incorporation divides our board into three classes having staggered terms, with one of such classes being elected each year for a new three-year term. Our Class II directors, Messrs. Carney and Lupo, have terms expiring in 2010, our Class III directors, Messrs. Anderson and Hyatt, have terms expiring in 2011, and our Class I directors, Mr. Alexander and Ms. Luzier, have terms expiring in 2012.

**Directors**

The following sets forth selected biographical information for our directors.

*Nominees for Class II Directors.*

*Brian P. Carney.* Mr. Carney, age 49, has served as a director since November 2007, and is a member of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Mr. Carney currently serves as Executive Vice President and Chief Financial Officer of BI-LO, LLC, a grocery retailer, a position he has held since 2005. Prior to that time, Mr. Carney had served as Executive Vice-President and Chief Financial Officer of Jo-Ann Stores, Inc., a specialty retailer, from 1997 to 2005, as Senior Vice President of Finance of Revco, D.S., Inc., a drug store retailer, from 1989 to 1997, and as an Audit Manager with Arthur Andersen & Co., a public accounting firm, from 1982 to 1989.

On March 23, 2009, BI-LO, LLC filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

**In determining that Mr. Carney should continue serving as one of our directors, the board considered in particular his financial, accounting and audit experience with publicly reporting retail companies and a public accounting firm, as well as his performance as a member of the board of directors of Citi Trends.**

*John S. Lupo.* Mr. Lupo, age 63, has served as a director since May 2003, and is Chairman of the Compensation Committee, as well as a member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Lupo was a principal in the consulting firm, Renaissance Partners, LLC, from February 2000 through December 2008. From November 1998 until December 1999, Mr. Lupo served as Executive Vice President of Basset Furniture. From October 1996 until October 1998, Mr. Lupo served as the Chief Operating Officer of the International Division of Wal-Mart Stores Inc., and from September 1990 until September 1996, Mr. Lupo served as Senior Vice

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President and General Merchandise Manager of Wal-Mart Stores, Inc. Mr. Lupo has also served as a director for AB Electrolux since 2007 and Cobra Electronics Corp since 2007. Mr. Lupo served as a director of Spectrum Brands Inc. (formerly Rayovac Corporation) from 1998 to 2009.

**In determining that Mr. Lupo should continue serving as one of our directors, the board considered in particular his retail merchandising and operational experience with Wal-Mart Stores, Inc. and as a consultant with Renaissance Partners, LLC, as well as his performance as a member of the board of directors of Citi Trends.**

*Continuing Class III Directors with Terms Expiring in 2011.*

*R. Edward Anderson.* Mr. Anderson, age 60, has served as Chairman of the board of directors since May 2006, including as Executive Chairman from April 5, 2009 through April 3, 2010, and as a director since December 2001. He served as Chief Executive Officer of the Company from December 2001 through April 4, 2009. From December 1997 to December 2001, Mr. Anderson was Chief Financial Officer of Variety Wholesalers, Inc., an operator of discount stores. Prior to December 1997, Mr. Anderson served as Chairman, President and Chief Executive Officer of Rose's Stores, Inc., a discount retailer.

**In determining that Mr. Anderson should continue serving as one of our directors, the board considered in particular his in-depth knowledge of Citi Trends attained from his tenure of more than seven years as Chief Executive Officer. In addition, the board considered his experience as CFO, CEO and Chairman of discount retailers prior to joining Citi Trends.**

*Lawrence E. Hyatt.* Mr. Hyatt, age 55, has served as a director since November 2006, and is Chairman of the Audit Committee, and a member of the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Hyatt has served as the Chief Financial Officer, Secretary and Treasurer of O'Charley's Inc., a multi-concept restaurant company, since November 2004. He also served as Interim Chief Executive Officer of O'Charley's Inc. from February 2009 through June 2009. Mr. Hyatt served as the Executive Vice President and Chief Financial Officer of Cole National Corporation, a specialty retailer, from 2002 to 2004, as Chief Financial and Restructuring Officer of PSINet Inc., an internet service provider, from 2000 to 2002, as Chief Financial Officer of HMS Host Corporation, a subsidiary of Autogrill S.p.A., from 1999 to 2000, and as Chief Financial Officer of Sodexo Marriott Services, Inc. and its predecessor company from 1989 to 1999.

On May 31, 2001 and September 10, 2001, respectively, PSINet Inc. and PSINet Consulting Solutions Inc., for which Mr. Hyatt served as Chief Financial Officer and Treasurer, respectively, filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

**In determining that Mr. Hyatt should continue serving as one of our directors, the board considered in particular his experience as a public company CFO and his retail background. His financial background is such that he is considered to be an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission (the "SEC") and, as a result, the board named him Chairman of the Audit Committee. In addition, the board considered his performance as a director of Citi Trends.**

*Continuing Class I Directors with Terms Expiring in 2012.*

*R. David Alexander, Jr.* Mr. Alexander, age 53, has served as the President and Chief Executive Officer and as a director since April 5, 2009. Mr. Alexander served as President and Chief Operating Officer of the Company from December 8, 2008 through April 4, 2009. In 2008, Mr. Alexander was a consultant with APAX Partners, a private equity firm. Previously, Mr. Alexander was Chief Executive Officer of Portrait Corporation of America, Inc. ("PCA"), which operates photography studios in

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Wal-Mart stores, from 2005 to 2007. Prior to that, Mr. Alexander had spent ten years with Family Dollar Stores, Inc., which operates discount retail stores, including the period from 2003 to 2005 when he was President and Chief Operating Officer and the period from 2000 to 2003 when he was Executive Vice President and Chief Operating Officer.

On August 31, 2006, PCA, for which Mr. Alexander served as Chief Executive Officer as described above, filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Mr. Alexander continued to serve as Chief Executive Officer of PCA until its sale to CPI Corp. in 2007.

**In determining that Mr. Alexander should continue serving as one of our directors, the Board considered in particular his performance as the Chief Executive Officer and a director of Citi Trends and his experience with a fast growing publicly held discount retailer, Family Dollar Stores, Inc., where he served as President and Chief Operating Officer.**

*Patricia M. Luzier.* Ms. Luzier, age 60, has served as a director since November 2005 and is the Chair of the Nominating and Corporate Governance Committee, as well as a member of the Audit Committee and the Compensation Committee. Ms. Luzier currently has her own private consulting business focused on human resource management, organizational development and executive coaching. Ms. Luzier was previously the Senior Vice President and Chief Administrative Officer of Cole National Corporation, a specialty retailer, from 1999 until October 2004. She served as Senior Vice President, Human Resources and Administration, for HomePlace Group, Inc. from 1998 until 1999. She also served as Senior Vice President of Human Resources with Vicorp Restaurants, Inc. from 1994 until 1998. Ms. Luzier currently serves as a director for Dale Carnegie and Associates, a private performance-based training company.

**In determining that Ms. Luzier should continue serving as one of our directors, the Board considered in particular her experience in the area of human resources with retail companies and her performance as a member of the board of directors of Citi Trends.**

**Board Risk Oversight**

Our management team is responsible for identifying, assessing and managing our exposure to risk, while the Board of Directors is responsible for providing oversight of risk management. The oversight role performed by the Board and its committees includes, among other things, the following:

Review of risks associated with our long-term strategic plan and annual budgets;

Meetings with various members of management regarding initiatives being undertaken in their areas, including, among others, merchandising, real estate, finance, human resources and information systems;

Private meetings with our independent registered public accounting firm, our Chief Financial Officer, and our Director of Internal Audit;

Performance of a comprehensive risk assessment, including those significant risk factors discussed in Item 1A of our Annual Report on Form 10K;

Review and approval of our Investment Policy; and

Review of legal matters

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Our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee each have responsibility for addressing risks inherent within their areas of oversight. In accordance with its charter, the Audit Committee is responsible for assisting the Board with its oversight of our overall risk management profile and our financial reporting risks. The Compensation Committee's responsibilities related to risk include ensuring that compensation policies have a fair balance of risk and reward. The Nominating Committee's primary risk-related responsibilities deal with the development and recommendation of appropriate corporate governance guidelines and oversight to ensure compliance with such guidelines. Each of the committee chairs regularly reports to the Board regarding significant issues addressed.

**Risk and Employee Compensation**

We do not believe that Citi Trends' compensation policies create risks that are reasonably likely to have a material adverse effect on the Company. Instead, we believe that our compensation structure encourages a fair balance of risk and reward. The process undertaken by the board to determine that the compensation policies do not create unnecessary risk included detailed reviews of the assumptions used in the budget on which annual cash incentives are based. In addition, the board participates in the strategic planning process to ensure that the goals and planned strategies to achieve such goals are aligned between management and the board. As a retail company operating only one store concept, we are not subject to many of the issues that caused employees in the financial services sector to take excessive and unnecessary risks in order to maximize their compensation. We believe that the components of our employee-wide compensation program are consistent in form with similar companies. Also, the performance targets are at the consolidated company level, not at individual division or subsidiary levels, and there is a balance between annual cash incentive compensation and long-term equity incentives to enhance the likelihood that management will not make decisions in the short-term to earn cash incentives at the risk of achieving long-term success.

**Board of Directors Committees**

The board of directors has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each comprised solely of the independent members of our board of directors, Messrs. Carney, Hyatt and Lupo and Ms. Luzier.

*Audit Committee*

The Audit Committee, currently consisting of all four of the Company's independent directors: Messrs. Carney, Hyatt and Lupo and Ms. Luzier, reviews our internal accounting procedures and consults with and reviews the services provided by our independent registered public accountants. The current members of the Audit Committee satisfy NASDAQ's audit committee member independence requirements. Mr. Hyatt is the Chairman of the Audit Committee. The board of directors has determined that Mr. Hyatt is an "audit committee financial expert" as defined by the rules of the SEC. During fiscal 2009, the Audit Committee met 8 times.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Audit Committee oversees the Company's accounting and financial reporting processes, both internal and external, and audits of the Company's financial statements, on behalf of the board of directors. The principal duties and responsibilities of our Audit Committee, among other things, are to:

have direct responsibility for the appointment, selection, compensation, retention, replacement and oversight of the work of our independent registered public accounting firm, including prescribing what services are allowable and approving in advance all services provided by them;



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discuss with the internal auditors and the independent registered public accounting firm the overall scope and plans for their respective audits and the results of their respective audits;

review our annual audited financial statements and quarterly unaudited financial statements, and discuss the statements with management and the independent registered public accounting firm and review our earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;

review and discuss with management, the internal auditors and the independent registered public accounting firm the adequacy and effectiveness of our internal controls, including our ability to monitor and manage business risk, legal and ethical compliance programs and financial reporting;

review and approve all related party transactions consistent with the rules applied to companies listed on The NASDAQ Stock Market; and

establish procedures regarding complaints received by us or our employees regarding accounting, accounting controls or auditing matters.

The Audit Committee is required to report regularly to our board of directors to discuss any issues that arise with respect to the quality or integrity of our financial statements, our compliance with legal or regulatory requirements, the performance and independence of our independent registered public accounting firm, or the performance of the internal audit function. The Audit Committee's work is guided by a written charter which has been approved and adopted by the board of directors. A copy of the current Audit Committee charter is available on the Company's website located at <http://www.cititrends.com>. The information set forth on this website should not be deemed filed with, and is not incorporated by reference into, this proxy statement or any of the Company's other filings under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically so provides.

### ***Compensation Committee***

The Compensation Committee, currently consisting of all four of the Company's independent directors: Messrs. Carney, Hyatt, and Lupo and Ms. Luzier, reviews and determines the compensation and benefits of the Company's executive officers and administers our incentive and equity-based compensation plans. Mr. Lupo is the Chairman of the Compensation Committee. The Compensation Committee has adopted a formal charter which is available on our corporate website at <http://www.cititrends.com>. During fiscal 2009, the Compensation Committee met 6 times. The principal duties and responsibilities of our Compensation Committee, among other things, are to:

review and approve corporate goals and objectives relevant to our Chief Executive Officer's and other named executive officers' compensation and evaluate the Chief Executive Officer's performance in light of these goals and objectives;

review and administer the Company's incentive and equity-based compensation plans;

determine and approve the Chief Executive Officer's compensation;

make recommendations to our board of directors regarding the salaries, incentive compensation plans and equity-based plans for our executive officers;

oversee, in consultation with management, regulatory compliance with respect to compensation matters;

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review and approve any severance or similar termination payments proposed or made to any of our current or former executive officers; and

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review and approve any employment contracts or other contractual arrangements resulting in any payment to any employee of the Company proposed to be made as a result of a change in control of the Company.

The form and amount of director compensation is annually determined by our board of directors after a recommendation from the Nominating and Corporate Governance Committee.

The Compensation Committee has the discretion to delegate all or a portion of its duties and responsibilities to a subcommittee of the Compensation Committee. In addition, the Compensation Committee has delegated limited authority to a committee consisting of our Chief Executive Officer to grant awards under the 2005 Long-Term Incentive Plan to non-executive employees of the Company. The Compensation Committee has the authority and resources to engage compensation consultants and legal, accounting or other advisors to provide the Committee with advice and information in connection with carrying out its responsibilities. In 2009, the Compensation Committee used Towers Watson (the "Compensation Consultant") to provide advice on the Company's executive and director compensation practices.

See "Compensation Discussion and Analysis" elsewhere in this proxy statement for a discussion of the role of the Compensation Consultant and executive officers in the compensation process and further discussion of the processes and procedures of the Compensation Committee. See also "Compensation Committee Report" elsewhere in this proxy statement.

***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee currently consists of all four of the Company's independent directors: Messrs. Carney, Hyatt, and Lupo and Ms. Luzier. Ms. Luzier is the Chair of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee has adopted a formal charter which is available on our corporate website at <http://www.cititrends.com>. During fiscal 2009, the Nominating and Corporate Governance Committee met 4 times. The principal duties and responsibilities of our Nominating and Corporate Governance Committee, among other things, are to:

review the composition of our board of directors and committee structure and evaluate the performance of directors and committees;

identify individuals qualified to become board members, consistent with criteria approved by our board of directors;

select and recommend individuals as nominees for directors at annual meetings of our stockholders;

develop and recommend to the board of directors a set of corporate governance principles applicable to us and periodically review and assess such corporate governance principles;

review the institutional and other affiliations of our board members and nominees for directors for any potential conflicts of interest and make recommendations to our board of directors with respect to the determination of director independence; and

review and make recommendations to our board of directors concerning compensation arrangements for non-employee members of our board of directors.

**Code of Business Conduct and Ethics**

We have adopted a written Code of Business Conduct and Ethics applicable to our directors, executive officers (including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions) and employees in accordance



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with the rules of The NASDAQ Stock Market and the SEC. Our Code of Business Conduct and Ethics is designed to deter wrongdoing and to promote:

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;

full, fair, accurate, timely and understandable disclosure in reports and documents that we file with the SEC and in all other public communications;

compliance with applicable laws, rules and regulations, including insider trading compliance; and

accountability for adherence to the code and prompt internal reporting of violations of the code, including illegal or unethical behavior regarding accounting or auditing practices.

The Code of Business Conduct and Ethics is available on our corporate website at <http://www.cititrends.com>. In the event of any amendment or waiver of our Code of Business Conduct and Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, such amendment or waiver will be posted on our website.

**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee consists of Messrs. Carney, Hyatt and Lupo and Ms. Luzier. No current member of the Compensation Committee serves or has ever served as one of our executive officers or employees. None of our executive officers serves or has ever served as a member of the board of directors or the compensation committee of any entity that has one or more executive officers serving on our board of directors or our Compensation Committee.

**Attendance of Directors**

During fiscal 2009, the board of directors held 10 meetings. Each director attended at least 75% of the aggregate of the total number of meetings held by the board of directors and the total number of meetings held by all committees of the board of directors on which he or she served, which meetings were held when he or she was a director.

**Policies Relating to our Board of Directors**

***Nomination and Selection of Directors***

Our Nominating and Corporate Governance Committee identifies and evaluates potential director candidates in a variety of ways. Recommendations may come from current members of our board of directors, professional search firms, members of management, stockholders or other persons. In assessing the qualifications of potential nominees, the Nominating and Corporate Governance Committee may rely on personal interviews or discussions with the candidate and others familiar with the candidate's professional background, on third-party background and reference checks and on such other due diligence information as reasonably available. The Nominating and Corporate Governance Committee must be satisfied that the candidate possesses the highest professional and personal ethics and values and has broad experience at the policy-making level in business before the Nominating and Corporate Governance Committee would recommend a candidate as a nominee to our board of directors and the nominee must meet the following minimum qualifications:

demonstrated personal integrity and moral character;

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willingness to apply sound and independent business judgment for the long-term interests of stockholders of the Company;

relevant business or professional experience, technical expertise or specialized skills;

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personality traits and background that appear to fit with those of the other directors to produce a collegial and cooperative board responsive to the Company's needs; and

ability to commit sufficient time to effectively carry out the substantial duties of a director.

Neither the board nor the Nominating and Corporate Governance Committee has a formal diversity policy with regard to the consideration of diversity in identifying director candidates; however, our Corporate Governance Guidelines state that the committee will review candidates' experience, integrity, competence, diversity, skills, and dedication in the context of the needs of the Board. Accordingly, in connection with its evaluation of each candidate, the committee takes into account how all of these factors pertaining to a candidate may complement or supplement those skills of other Board members. This helps to explain how our board, consisting of six members, represents such a wide range of experiences, including executive, financial, merchandising, retail operations, distribution, logistics and human resources.

The Nominating and Corporate Governance Committee evaluates nominees submitted by stockholders in the same manner as nominees from other sources. Stockholders may recommend nominees for consideration at the annual meeting by submitting the names and the following supporting information to the Secretary of the Company at: Secretary, Stockholder Nominations, Citi Trends, Inc., 104 Coleman Boulevard, Savannah, Georgia 31408. Such submissions must be received by the Secretary not less than ninety (90) calendar days and not more than one hundred twenty (120) calendar days prior to the first anniversary of the previous year's annual meeting. The submission should include a current resume and curriculum vitae of the candidate and a statement describing the candidate's qualifications and contact information for personal and professional references. The submission should also include the name and address of the stockholder who is submitting the nominee, the number of shares which are owned of record or beneficially by the submitting stockholder and a description of all arrangements or understandings between the submitting stockholder and the candidate and should otherwise comply with the requirements of our bylaws.

***Communications with our Board of Directors***

Stockholders and other interested parties may communicate directly with our board of directors, the non-management directors as a group or individual directors. All communications should be in writing and should be directed to the Secretary of the Company at: Stockholder Communications, Citi Trends, Inc., 104 Coleman Boulevard, Savannah, Georgia 31408. The sender should indicate in the address whether it is intended for the entire board of directors, the non-management directors as a group or an individual director. Each communication received by the Secretary will be forwarded to the intended recipients.

***Director Attendance at Annual Meeting of Stockholders***

We do not have a formal policy regarding attendance by directors at our annual meeting of stockholders but invite, expect and encourage all directors to attend. All of our directors who were serving as directors at the time, attended the 2009 annual meeting of stockholders.

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**AUDIT COMMITTEE REPORT**

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements in the Annual Report on Form 10-K for the 2009 fiscal year. The Audit Committee has also discussed with KPMG LLP, the Company's independent registered public accounting firm during the 2009 fiscal year, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T.

The Audit Committee has received and reviewed the written disclosures and the letter from KPMG LLP required by applicable requirements of the PCAOB regarding KPMG LLP's communications with the Audit Committee concerning independence and has discussed with KPMG LLP its independence from the Company.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements of the Company be included in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2010 for filing with the SEC.

*Submitted by the Audit Committee of the Board of Directors:*

*Lawrence E. Hyatt, Chairman*

*Brian P. Carney*

*John S. Lupo*

*Patricia M. Luzier*



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**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed the Compensation Discussion and Analysis section of this proxy statement and discussed that disclosure with management. Based on its review and discussions with management, the committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement for the 2010 annual meeting of stockholders and incorporated by reference into the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2010.

The undersigned members of the Compensation Committee have submitted this Report to the Board of Directors.

*Submitted by the Compensation Committee of the Board of Directors:*

*John S. Lupo, Chairman*

*Brian P. Carney*

*Lawrence E. Hyatt*

*Patricia M. Luzier*

Table of Contents**EXECUTIVE OFFICERS**

The following table sets forth the names, ages and current positions of our current executive officers.

<b>Name</b>	<b>Age</b>	<b>Position</b>
R. David Alexander, Jr.	53	President, Chief Executive Officer and Director Executive Vice President and Chief Merchandising Officer
Elizabeth R. Feher	49	Officer
Bruce D. Smith	51	Executive Vice President and Chief Financial Officer
James A. Dunn	53	Senior Vice President of Store Operations
Ivy D. Council	53	Senior Vice President of Human Resources

The following sets forth selected biographical information for our executive officers who are not directors.

*Elizabeth R. Feher.* Ms. Feher has served as our Executive Vice President and Chief Merchandising Officer since April 2, 2008. Previously, Ms. Feher was Senior Vice President Ladies Apparel, Intimate and Kids, for Value City Department Stores, an off-price department store chain, since January 2005. Prior to that, Ms. Feher had been Vice President Divisional Merchandise Manager Ladies Sportswear for Bon Ton Stores, a regional department store operator, from 2000 and had held various other positions with Bon Ton Stores since 1994.

*Bruce D. Smith.* Mr. Smith has served as our Executive Vice President and Chief Financial Officer since March 2010, and as our Senior Vice President and Chief Financial Officer since April 2007. From March 2005 to March 2007, Mr. Smith served as Executive Vice President, Chief Financial Officer and Treasurer of Hancock Fabrics, Inc., a specialty retailer of fabrics and related accessories, and served as the Senior Vice President, Chief Financial Officer and Treasurer of Hancock Fabrics, Inc. from 1996 until March 2005. From 1991 to 1996, Mr. Smith served as Executive Vice President and Chief Financial Officer of Fred's, Inc. From 1980 to 1991, Mr. Smith was a Senior Manager with Price Waterhouse (now PricewaterhouseCoopers LLP). Mr. Smith is a Certified Public Accountant.

On March 21, 2007, Hancock Fabrics, Inc., for which Mr. Smith served as an executive officer as described above, filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code.

*James A. Dunn.* Mr. Dunn has served as our Vice President of Store Operations since April 2001 and as our Senior Vice President of Store Operations since April 2006. From January to April 2001, Mr. Dunn was our Director of Training and Development and from January 2000 to January 2001, was one of our Regional Managers. Prior to joining us, Mr. Dunn was a Store Manager at Staples from January 1999 to January 2000. Prior to that Mr. Dunn was a Regional Manager at Dress Barn, where he supervised 77 stores and 10 district managers.

*Ivy D. Council.* Ms. Council has served as our Senior Vice President of Human Resources since January 2007. From February 2006 to November 2006, Ms. Council served as Vice President of Human Resources for Baja Fresh Restaurants, a division of Wendy's, Inc. From September 2003 to January 2006, Ms. Council served as Executive Vice President of Human Resources for Pasta Pomodoro Restaurants and as a director of such entity from May 2001 to December 2002. Prior to that, Ms. Council served as Senior Vice President of Human Resources for Ross Stores.

Each of the executive officers serves at the discretion of the board of directors and holds office until his or her successor is elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of the directors or executive officers.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

In the paragraphs that follow, we will give an overview and analysis of our compensation program and policies, the material compensation decisions we have made under those programs and policies with respect to our top executive officers, and the material factors that we considered in making those decisions. Later in this proxy statement you will find a series of tables containing specific information about the compensation earned or paid in fiscal 2009 to the following individuals, whom we refer to as our named executive officers:

R. Edward Anderson, our Chief Executive Officer through April 4, 2009 and the Executive Chairman of our board of directors from April 5, 2009 through April 3, 2010,

R. David Alexander, Jr., our President and Chief Executive Officer (effective April 5, 2009),

Elizabeth R. Feher, our Executive Vice President and Chief Merchandising Officer,

Bruce D. Smith, our Executive Vice President and Chief Financial Officer,

James A. Dunn, our Senior Vice President of Store Operations, and

Ivy D. Council, Senior Vice President of Human Resources.

The discussion below is intended to help you understand the detailed information provided in the compensation tables and put that information into context within our overall compensation program.

***Objective of Our Compensation Program***

In order to maintain a critical advantage in our competitive marketplace, we believe our compensation program should be designed to provide market-competitive compensation and benefits that will enable us to attract and retain a talented, diverse workforce. In furtherance of those goals, our compensation program is designed to:

enable the Company to retain and motivate a team of high quality executives who will create long-term stockholder value;

create opportunities to participate in the ownership of the Company and to share in the value the executives help create; and

provide rewards that are proportional to each executive's contribution to our success.

Our compensation philosophy emphasizes each individual's responsibility for high achievement and provides a strong link between pay and performance on both an individual and company level. Our management team and Compensation Committee will continue to develop and refine our compensation philosophy, program and practices over time, with the goal of maximizing stockholder value.

***How We Determine and Assess Executive Compensation***

**Role of the Compensation Committee and Executive Officers**

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The Compensation Committee plays an integral role in the strategic direction and administration of the compensation structure of the Company. The Compensation Committee and our Chief Executive Officer work together to ensure that the compensation paid to our named executive officers is in line with our compensation philosophy and furthers our long-term goals.

After forming qualitative judgments regarding individual performance within each executive's areas of direct responsibility, as well as how such performance serves the entire Company, and discussions with the Compensation Committee and other members of management regarding appropriate levels of

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compensation, our Chief Executive Officer recommends to the Compensation Committee base salary, target annual cash incentive amounts and formulas, and long-term equity incentive grants for our executive officers (other than himself). The Compensation Committee reviews such recommendations and determines whether, in light of our compensation philosophy, the recommended compensation levels are appropriate. This determination includes consideration of recommendations by the Compensation Consultant as described below. Upon such determination, the Compensation Committee formally approves the compensation levels. Our Chief Executive Officer is not involved with any aspect of determining his own compensation. The Compensation Committee independently sets the Chief Executive Officer's total compensation package, taking into account the same factors as for the other executive officers.

**Compensation Consultant**

From time to time, the Compensation Committee selects and engages outside compensation consultants and other experts for survey data and other information as it deems appropriate. As discussed in further detail in the following section, the Committee once again engaged the Compensation Consultant in 2009 to provide an analysis of the Company's compensation practices and to provide an update to the Committee as to current compensation trends.

**Market Data**

Periodically, the Compensation Committee reviews the compensation practices of a group of public companies selected from an industry peer group comprised primarily of specialty apparel retailers that are similar in size to the Company. The Compensation Committee believes that the companies comprising the peer group represent appropriate comparisons due to the similarity in business and financial characteristics. The peer group consists of the following specialty apparel retailers:

- |                                 |                              |
|---------------------------------|------------------------------|
| bebe stores, inc.               | Hot Topic, Inc.              |
| The Buckle, Inc.                | Jos. A. Bank Clothiers, Inc. |
| Cache, Inc.                     | Stein Mart, Inc.             |
| Casual Male Retail Group, Inc.  | Syms Corp                    |
| The Cato Corporation            | The Wet Seal, Inc.           |
| Christopher & Banks Corporation | Zumiez Inc.                  |
| The Dress Barn, Inc.            |                              |

The Compensation Consultant's analysis focused on the following areas of compensation:

- base salary,
- annual cash incentives,
- total cash compensation (the sum of base salary and annual cash incentives),
- long-term equity incentives (a variable incentive vesting over a multi-year period), and
- total direct compensation (the sum of total cash compensation and long-term equity incentives).

The Compensation Consultant's original study, performed prior to our 2005 initial public offering, indicated that our executive officers' total direct compensation fell below median peer company practice. Because total compensation opportunities provided to our executive officers were below median for our peer group, we began an effort to gradually approach the median level of compensation over a period of several years, although a specific goal in relation to the peer group was not set. These efforts have included salary increases, higher target awards as a percentage of salary under our cash incentive program and shifting our long-term equity incentives from stock options to restricted stock. As a result, the 2009 study by the Compensation Consultant indicated that progress has been made in



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closing the gap identified in previous compensation reviews, although each of our executive officers' total direct compensation is still below median in relation to the peer group.

We have not established a formula or specific methodology to allocate our executive officers' total direct compensation among base salary, annual cash incentives and long-term equity incentives, nor have we targeted any of these individual components to be at specific levels within the peer group. Instead, our primary focus has been on total direct compensation, resulting in the efforts noted above to narrow the gap between our executive officers' compensation levels and the peer group's median.

We also review other compensation information provided by the Compensation Consultant from surveys of all industries, as well as just the retail industry, which are size-adjusted for an appropriate comparison to the Company.

**Company Performance**

We measure our overall financial performance based on a number of financial metrics, of which the most important is earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company's performance in this area allows us to evaluate the Company's success in any given year. The Company's success and performance impacts our compensation decisions with respect to our executive officers. Only our annual cash incentives are formally tied to this financial metric, although, the future value of long-term equity incentives is at least indirectly tied to such metric.

We have considered whether EBITDA or earnings before interest and taxes ("EBIT") should be the primary performance metric for us. Recognizing that depreciation and amortization expense is the only difference between the two metrics, we believe that our rigorous Board review and approval process for capital expenditure spending is adequate to allow us to use EBITDA as the primary metric even though it excludes depreciation and amortization expense.

***Elements of our Compensation Program***

Our executive officer compensation program consists of the following elements: base salary, annual cash incentives, long-term equity incentives, and certain other benefits.

**Base Salary**

Base salaries fulfill the fixed portion of our compensation program. Base salaries are set annually by the Compensation Committee based on a variety of factors, including peer group information and a qualitative review of the executive's performance and contributions to the Company. As discussed above, our goal is to position total direct compensation to approach the median of our peer group over time. In consideration of this goal, as well as individual performance evaluations, the Compensation Committee approved increases to each of our named executive officers' base salaries (other than for Messrs. Anderson and Alexander) for 2009 in amounts ranging from 4.8% to 7.5%.

Mr. Anderson's salary was reduced in 2009 due to his change in position from Chairman and Chief Executive Officer to Executive Chairman.

Mr. Alexander's salary did not change during fiscal 2009, as he had been employed by the Company for less than two months prior to the beginning of the year.

Ms. Feher received a 7.1% salary increase, based on our efforts to position her compensation closer to the peer group median and her performance in the areas of merchandising and inventory control during her first year of employment.

Mr. Smith received a 7.5% salary increase, based on our efforts to position his compensation closer to the peer group median, his performance in the areas of accounting and finance, and the addition of information technology to his areas of responsibility.





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Mr. Dunn received a 4.8% salary increase, based on our efforts to position his compensation closer to the peer group median and his performance in the area of store operations.

Ms. Council received a 5.1% salary increase, based on our efforts to position her compensation closer to the peer group median, her performance in the area of human resources, and the addition of loss prevention to her areas of responsibility.

**Annual Cash Incentives**

Our annual cash incentive program provides our executive officers with an opportunity to earn cash awards based on the achievement of our budgeted goal for EBITDA. Due to the importance of this financial metric to the annual and long-term success of the Company, we strive to make the achievement of this goal each year to be a meaningful challenge to our executive officers. The budgeted EBITDA that represents our goal considers many key operating and financial factors, including the following:

- Store selling square footage growth;
- Comparable store sales;
- Average sales per store;
- Gross margin;
- Store and distribution operating expenses as a percentage of sales; and
- Corporate expenses

The annual cash incentive program is directly linked to our budget, such that if the Company achieves 100% of its budgeted EBITDA, it is expected that the executive officers would receive 100% of their target award. There is a scale in place that dictates payment of annual cash incentives in the event that actual EBITDA results are between 90% (threshold) and 120% (maximum) of budget. Using the scale, if actual EBITDA is 90% of budget, then 50% of the target award is paid, while if actual EBITDA is equal to or greater than 120% of budget, then 200% of the target award is paid. If actual EBITDA is less than 90% of budget, no cash incentive compensation is paid. In 2009, the EBITDA goal was \$45,183,000, representing a 15% increase over 2008's actual EBITDA. Actual 2009 EBITDA was \$47,805,000, or 105.8% of budget, resulting in cash incentives equal to 120.2% of the target award, as prescribed by the scale.

Our Chief Executive Officer recommends a target award for each executive officer based on the executive's position within the Company and consideration of data provided by the Compensation Consultant and, together with the Compensation Committee, determines the appropriate target award for each executive. For fiscal 2009, each executive officer's target award (as a percentage of base salary) was as follows:

<b>Name</b>	<b>Target Award</b>
Mr. Alexander	100%
Ms. Feher	65%
Mr. Smith	50%
Mr. Dunn	50%
Ms. Council	50%

In connection with the hiring of Mr. Alexander in late fiscal 2008, we guaranteed him that he would receive at least 20% of his target award for fiscal 2009 as an incentive for him to join the Company. Mr. Anderson was not a participant in the annual cash incentive program in fiscal 2009 due to his retirement as Chief Executive Officer in April 2009.

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The Compensation Committee did not exercise any discretion to adjust computed awards in 2009. Actual awards earned in 2009 by our named executive officers are shown in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table elsewhere in this proxy statement.

**Long-Term Equity Incentives**

Long-term equity incentive compensation awards are designed to encourage the creation of long-term value for our stockholders by increasing the retention of qualified key employees and aligning the interests of executive officers with our stockholders through the officers' ownership of equity in the Company.

The dollar value of each equity grant is within the discretion of the Compensation Committee and is based on recommendations made by our Chief Executive Officer, which take into account the executive's past performance, the executive's position within the Company, and an evaluation of other elements of compensation provided to the executive officer. The Committee also considers the compensation studies performed by the Compensation Consultant to determine the appropriate size of the equity-based awards.

Prior to 2007, the Company used stock options as the primary form of long-term equity incentive for its executive officers. In 2007, 2008, and 2009, we granted restricted stock to our named executive officers under the 2005 Long-Term Incentive Plan. We believe the shift to full-value restricted stock has provided stronger incentives for the creation of long-term stockholder value, provided greater retention value for the executives, and resulted in less stockholder dilution. The 2009 grants were determined as a percentage of base pay, ranging from 50% for the named executive officers that are senior vice presidents to 100% for the Chief Executive Officer. As mentioned previously, the grant levels were determined as one of several components designed to result in our executive officers' compensation levels gradually approaching the median level of total direct compensation within our peer group; however, they were not set to be at any specific level within our peer group. The vesting period, which is generally set as four equal installments on the first four anniversaries of the grant date, was determined based on consideration of peer group practices and discussions with the Compensation Consultant. Mr. Anderson's grant in fiscal 2009 had a one-year vesting period due to the expectation that he would remain an employee of the Company for one year before retiring as Executive Chairman and becoming the non-executive Chairman. For more information regarding these long-term incentives granted to our named executive officers in fiscal 2009, please see the "Grants of Plan-Based Awards Table for Fiscal Year 2009" and "Outstanding Equity Awards at 2009 Fiscal Year-End Table" and the related footnotes elsewhere in this proxy statement.

**Other Benefits**

*Retirement.* We maintain the Citi Trends, Inc. 401(k) Profit Sharing Plan, a tax-qualified, defined contribution employee benefit plan in which a substantial majority of our employees, including the named executive officers, are eligible to participate. We match 50% of employee contributions to the plan, up to a maximum of 4% of an employee's total calendar year compensation (subject to IRS limits).

*Perquisites.* During fiscal 2009, the Company paid for relocation expenses in connection with Mr. Alexander's move to Savannah, Georgia after being hired. This reimbursement included a gross-up of Mr. Alexander's relocation expenses to cover the related income taxes, with such gross-up being a component of the negotiation involved in hiring Mr. Alexander. In addition, the Company provided Messrs. Anderson and Dunn with the use of a company car and paid a car allowance to Ms. Feher in fiscal 2009. Each executive officer also received life/long-term disability insurance coverage. We did not provide any other special benefits or perquisites to our executive officers. We believe these perquisites are reasonable in light of peer group practices. We provide health and welfare benefits to our executive officers on the same basis as we provide to all of our salaried employees.

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*Employment Agreements and Severance Agreements.* We maintain employment agreements with each of Messrs. Anderson and Alexander and Ms. Feher, which agreements outline the terms of the initial compensation packages of such executives. In March 2009, we entered into severance agreements with all of the named executive officers, which provide severance benefits in the event their employment is terminated by the Company without cause or in connection with a change in control of the Company. Each severance agreement provides that if the Company terminates an executive's employment without Cause (as defined in the severance agreement) or if the executive terminates his or her employment within twelve months of a Change in Control (as defined in the severance agreement) provided that within such period the executive's job duties have been materially diminished or compensation has been materially decreased, the Company will provide the executive with separation payments of twelve months base salary. The Company provides these involuntary termination severance benefits to protect individuals from events outside their control and to offer compensation packages similar to those commonly found in our market for competing executive talent. Furthermore, the Company provides these benefits to protect the Company against disruption in the event of a change in control. We believe that these severance agreements serve as an important retention element of the compensation package provided to these officers. The potential severance benefits payable to our named executive officers are described in "Potential Payments upon Termination or Change in Control" elsewhere in this proxy statement.

*Equity Grant Practices*

The Company has a practice of generally making equity awards on pre-established dates. Annual equity awards are presented to the Compensation Committee for approval at a regularly scheduled Compensation Committee meeting usually held in March. Equity awards are also given to employees throughout the year as they are hired or promoted into positions eligible for those awards. We make decisions on equity grants based solely on our compensation and retention objectives and our established measurements of the value of these awards. If at the time of any planned action relating to a grant of this type of compensation, any member of the Compensation Committee or the Chief Executive Officer making recommendations to the Committee is aware of material non-public information about the Company or our prospects, it is our policy to make such grant without giving effect to such information. However, an effort is made to make the annual grants each March effective three business days after the Company's fourth quarter earnings release, in order to allow time for the release to be disseminated to the investment community, while also minimizing the timeframe in which material non-public information can develop between the date of the earnings release and the date on which the grants are determined.

*Tax and Accounting Considerations*

The accounting treatment of compensation has been a factor in determining the type of equity awards to grant to our executive officers. Prior to fiscal 2007, the favorable accounting treatment of stock options played an important role in the Company's decision to use this form of equity award. However, following the adoption of new accounting regulations requiring the recording of stock-based compensation expense, the Company reevaluated its equity grant practices, and in fiscal 2007 shifted to restricted stock as its primary form of equity awards, as discussed above.

It is the Compensation Committee's intent to maximize tax deductibility of executive compensation while retaining some discretion needed to compensate executives in a manner commensurate with performance and the competitive landscape for executive talent. Section 162(m) of the Internal Revenue Code places a limit of \$1 million on the amount of compensation that we may deduct in any year with respect to any one of our named executive officers. This limitation does not apply to compensation that meets the requirements under Section 162(m) for "qualifying performance-based" compensation. No deductions for compensation paid for 2009 or prior years have been limited under

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Section 162(m) of the Code. In 2009, the Company received stockholder approval of an incentive bonus plan designed to enhance the Company's ability to deduct executive compensation on its tax returns.

**2009 Fiscal Year Compensation Tables****Summary Compensation Table**

The following table sets forth the cash and other compensation that we paid to our named executive officers, or that was otherwise earned by our named executive officers, for their services in all capacities during fiscal years 2007, 2008 and 2009.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(2)	Stock Awards (\$)(3)	Non-Equity Incentive Plan	All Other Compensation	Total (\$)
					(\$)(4)	(\$)(5)	
<b>R. Edward Anderson(1)</b>	2009	396,635		375,000		10,602	782,237
Former Chief Executive Officer	2008	494,231		500,000	510,500	12,115	1,516,846
	2007	416,282		318,750		11,699	746,731
<b>R. David Alexander, Jr.(6)</b>	2009	500,000		125,000	601,000	232,322	1,458,322
President and Chief Executive Officer	2008						
	2007						
<b>Elizabeth R. Feher(7)</b>	2009	373,077		243,750	292,988	12,354	922,169
Executive Vice President and Chief Merchandising Officer	2008	293,462	75,000	300,000	193,990	30,498	892,950
	2007						
<b>Bruce D. Smith(8)</b>	2009	298,462		150,000	180,300	509	629,271
Executive Vice President and Chief Financial Officer	2008	277,692		140,000	142,940	552	561,184
	2007	207,950	50,000	100,000	50,000	11,439	419,389
<b>James A. Dunn</b>	2009	219,231		110,000	132,220	9,484	470,935
Senior Vice President of Store Operations	2008	209,231		105,000	107,205	9,272	430,708
	2007	182,464		75,000		9,828	267,292
<b>Ivy D. Council</b>	2009	239,231		120,000	144,240	2,376	505,847
Senior Vice President of Human Resources	2008	227,692		115,000	117,415	1,254	461,361
	2007	196,018	105,000	60,000		16,487	377,505

(1) Mr. Anderson retired from the position of Chief Executive Officer effective April 4, 2009, but continued as an employee of the Company in fiscal 2009, serving as Executive Chairman of the Board of Directors.

(2) Ms. Feher, Mr. Smith and Ms. Council received signing bonuses upon joining the Company to be used, in part, to offset relocation expenses, and Ms. Council also received a guaranteed year-end bonus.

(3)

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Reflects the grant-date fair value of restricted stock awards computed in accordance with FASB ASC Topic 718 and based on the Company's stock price at the close of business on the date of grant.

(4) Reflects the value of cash incentive compensation earned under our annual cash incentive program. Mr. Anderson was not a participant in the program in 2009 due to his retirement as Chief Executive Officer in April 2009.

(5) Includes \$132,470 of relocation costs associated with Mr. Alexander's move to Savannah, Georgia and a tax gross-up of \$97,712 in connection with such relocation costs. Also, reflects the aggregate incremental cost to the Company of providing use of Company leased cars to Messrs. Anderson and Dunn and a car allowance to Ms. Feher and the costs of temporary housing for Ms. Feher in 2008 incurred in connection with her relocation. Additionally, includes amounts for each officer related to life/long-term

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disability insurance coverage, and amounts for Mr. Anderson and Ms. Council representing the Company's 401(k) matching contributions.

- (6) Mr. Alexander was not a named executive officer in years prior to 2009. Mr. Alexander joined the Company as President and Chief Operating Officer effective December 8, 2008 and was promoted to Chief Executive Officer effective April 5, 2009.
- (7) Ms. Feher joined the Company as Executive Vice President and Chief Merchandising Officer effective April 2, 2008.
- (8) Mr. Smith joined the Company as Senior Vice President and Chief Financial Officer effective April 2, 2007.

**Grants of Plan-Based Awards Table for Fiscal Year 2009**

The following table sets forth the individual grants of awards made to each of our named executive officers during fiscal year 2009.

Name	Grant Date	Compensation Committee Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares or Units (#)(2)	Grant Date Fair Value of Stock and Option Awards (\$)(3)
			Threshold (\$)	Target (\$)	Maximum (\$)		
Mr. Anderson	03/30/09	03/19/09				17,022	375,000
Mr. Alexander	03/30/09	03/19/09	250,000	500,000	1,000,000	5,674	125,000
Ms. Feher	03/30/09	03/19/09	121,875	243,750	487,500	11,064	243,750
Mr. Smith	03/30/09	03/19/09	75,000	150,000	300,000	6,809	150,000
Mr. Dunn	03/30/09	03/19/09	55,000	110,000	220,000	4,993	110,000
Ms. Council	03/30/09	03/19/09	60,000	120,000	240,000	5,447	120,000

- (1) Represents threshold, target and maximum payout values pursuant to our annual cash incentive program for fiscal year 2009 performance. For more information on our annual cash incentive program, see the description contained in the "Compensation Discussion and Analysis" elsewhere in this proxy statement. In each case, the actual amount earned pursuant to our annual cash incentive program by each named executive officer is reported under the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.
- (2) Awards of time-vesting restricted stock under the 2005 Long-Term Incentive Plan, which vest in four equal installments on the first four anniversaries of the grant date, except for Mr. Anderson's award which vests on the first anniversary of the grant date.
- (3) Reflects the grant-date fair value of restricted stock awards computed in accordance with FASB ASC Topic 718 and based on the Company's stock price at the close of business on the date of grant.



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***Employment Agreements***

On December 29, 2005, we entered into an amended and restated employment agreement with Mr. Anderson. The employment agreement provides a base salary to Mr. Anderson, subject to adjustment by the board of directors, and provides that Mr. Anderson will be eligible to earn a bonus at the sole discretion of the board of directors. The minimum salary specified in the agreement for Mr. Anderson is \$340,000 per year. The employment agreement may be terminated by Mr. Anderson or us at any time for any reason or no reason. Mr. Anderson retired from the position of Chief Executive Officer effective April 4, 2009. His employment agreement remained effective in fiscal 2009 as he continued as an employee of the Company, serving as Executive Chairman of the Board of Directors.

On December 8, 2008, we entered into an employment agreement with Mr. Alexander, which provides for an annual gross starting salary of \$500,000 and reimbursement of up to \$150,000 in relocation expenses along with a tax gross-up expected to approximate \$80,000. If Mr. Alexander voluntarily terminates his employment for any reason within 24 months of his hire date, he must immediately repay the Company all reimbursed relocation costs. Mr. Alexander's annual cash incentive opportunity is 100% of base salary. We guaranteed 20% of Mr. Alexander's fiscal year 2009 bonus. Mr. Alexander is also eligible to participate in the Company's various employee benefit programs. The employment agreement may be terminated by Mr. Alexander or us at any time for any reason or no reason.

We entered into an employment agreement with Ms. Feher on April 2, 2008 which provides for an annual gross starting salary of \$350,000 and participation in our annual cash incentive plan for management. The employment agreement may be terminated by the executive or us for any reason or no reason, with a requirement that Ms. Feher must provide us with a minimum of thirty days written notice of termination.

Each of the employment agreements with Messrs. Anderson and Alexander and Ms. Feher originally provided for certain severance benefits upon their termination of employment and, in the case of Mr. Alexander, upon a change in control of the Company. However, new severance agreements entered into in March 2009 supersede the severance benefits provided under the employment agreements. The terms of the severance agreements are described below under "Potential Payments upon Termination or Change in Control."

We entered into a letter agreement with Mr. Smith on March 5, 2007 and with Ms. Council on December 6, 2006. The letter agreements provided for an annual gross starting salary of \$250,000 for Mr. Smith and \$200,000 for Ms. Council and participation in our annual bonus plan for management. The letter agreements may be terminated by the executive or us at any time for any reason or no reason.



Table of Contents**Outstanding Equity Awards at 2009 Fiscal Year-End Table**

The following table provides information concerning unexercised options and unvested restricted stock outstanding as of January 30, 2010 for each of our named executive officers.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)
Mr. Anderson	6,750(2)	2,250(2)	41.35	3/17/2016	17,022(6)	529,895
					20,325(7)	632,717
					3,598(8)	112,006
Mr. Alexander					5,674(9)	176,632
					28,217(10)	878,395
Ms. Feher					11,064(9)	344,422
					11,381(11)	354,291
Mr. Smith					6,809(9)	211,964
					5,691(7)	177,160
					1,157(12)	36,017
Mr. Dunn	1,875(2)	625(2)	41.35	3/17/2016	4,993(9)	155,432
	5,000(3)		14.00	5/17/2015	4,269(7)	132,894
	21,098(4)		0.38	6/13/2011	847(8)	26,367
Ms. Council	1,500(5)	500(5)	38.40	1/08/2017	5,447(9)	169,565
					4,675(7)	145,533
					677(8)	21,075

(1) Market value is based on the closing stock price of \$31.13 on January 29, 2010, the last trading day of our 2009 fiscal year.

(2) Stock options were awarded on March 17, 2006 under the 2005 Long-Term Incentive Plan and vest in four equal installments on the first four anniversaries of the grant date.

(3) Stock options were awarded on May 17, 2005 under the 2005 Long-Term Incentive Plan and vested in four equal installments on the first four anniversaries of the grant date.

(4) Stock options were awarded on June 13, 2001 under the Amended and Restated 1999 Stock Option Plan and vested in four equal installments on the first four anniversaries of the grant date.

(5) Stock options were awarded on January 8, 2007 under the 2005 Long-Term Incentive Plan and vest in four equal installments on the first four anniversaries of the grant date.

(6)

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Restricted shares were awarded on March 30, 2009 under the 2005 Long-Term Incentive Plan and vest on the first anniversary of the grant date.

(7)

Restricted shares were awarded on March 31, 2008 under the 2005 Long-Term Incentive Plan and vest in four equal installments on the first four anniversaries of the grant date.

(8)

Restricted shares were awarded on March 26, 2007 under the 2005 Long-Term Incentive Plan and vest in four equal installments on the first four anniversaries of the grant date.

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- (9) Restricted shares were awarded on March 30, 2009 under the 2005 Long-Term Incentive Plan and vest in four equal installments on the first four anniversaries of the grant date.
- (10) Restricted shares were awarded on January 5, 2009 under the 2005 Long-Term Incentive Plan and vest in four equal installments on the first four anniversaries of the grant date.
- (11) Restricted shares were awarded on April 2, 2008 under the 2005 Long-Term Incentive Plan and vest in four equal installments on the first four anniversaries of the grant date.
- (12) Restricted shares were awarded on April 2, 2007 under the 2005 Long-Term Incentive Plan and vest in four equal installments on the first four anniversaries of the grant date.

**Option Exercises and Stock Vested Table for Fiscal Year 2009**

The following table sets forth information concerning each exercise of stock options and vesting of restricted stock during the last completed fiscal year for each of the named executive officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Mr. Anderson	28,702	379,414	8,574	194,316
Mr. Alexander			9,405	260,801
Ms. Feher			3,793	87,960
Mr. Smith			2,476	56,849
Mr. Dunn			1,845	41,775
Ms. Council			1,897	43,056

- (1) Reflects the excess of the fair market value of the underlying shares at the time of exercise over the exercise price of the options.
- (2) Reflects the fair market value of the shares on the vesting date.

**Potential Payments Upon Termination or Change in Control**

As discussed in the "Other Benefits" section of the "Compensation Discussion and Analysis," on March 25, 2009, the Company entered into severance agreements with each of the named executive officers.

Each severance agreement provides that if the Company terminates an executive's employment without Cause (as defined in the severance agreement) or if the executive terminates his or her employment within twelve months of a Change in Control (as defined in the severance agreement) provided that within such period the executive's job duties have been materially diminished or compensation has been materially decreased, the Company will provide the executive with separation payments of twelve months base salary. These new severance agreements supersede similar provisions in the employment agreements with Messrs. Anderson and Alexander and Ms. Feher.

"Cause" generally means (i) commission of an act of fraud or dishonesty; (ii) conviction of a felony or a crime involving embezzlement, conversion of property or moral turpitude; (iii) engaging in willful or reckless misconduct or gross negligence in connection with Company property or activities which adversely affects the Company; (iv) material breach of any obligations as an employee or stockholder as set forth in certain Company policies; or (v) failure or refusal to perform any material duty or responsibility or a breach of fiduciary obligations to the

Company.

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On March 25, 2009, the Company also entered into an Employment Non-Compete, Non-Solicit and Confidentiality Agreement with each of Messrs. Alexander, Anderson, Smith, and Dunn and Ms. Feher and Ms. Council. Each non-compete agreement provides that upon a separation from the Company, the executive will not disclose confidential information relating to the Company, will not compete with the Company or render similar services to a competitor of the Company for a period of one year, will not solicit any vendor or supplier of merchandise to the Company on behalf of a competitor for a period of two years and will not recruit Company personnel for a period of two years.

Pursuant to the terms of our 2005 Long-Term Incentive Plan and our 1999 Stock Option Plan, and/or the applicable award agreements, all outstanding options and invested restricted stock will become 100% vested upon the occurrence of a change in control.

The following table summarizes the approximate value of the payments and benefits that each of our named executive officers would receive if he or she had terminated employment at the close of business on January 30, 2010 or if a change of control of the Company had occurred as of such date. The amounts shown in the table exclude distributions under our 401(k) retirement plan that is generally available to all of our salaried employees.

	Mr. Anderson	Mr. Alexander	Ms. Feher	Mr. Smith	Mr. Dunn	Ms. Council
<b><i>Termination By Company Without Cause (Not in Connection with a Change in Control)</i></b>						
Cash Severance(1)	\$ 375,000	\$ 500,000	\$ 375,000	\$ 300,000	\$ 220,000	\$ 240,000
<b>Total</b>	<b>\$ 375,000</b>	<b>\$ 500,000</b>	<b>\$ 375,000</b>	<b>\$ 300,000</b>	<b>\$ 220,000</b>	<b>\$ 240,000</b>
<b><i>Termination By Company Without Cause; Qualifying Termination by Executive (In Connection with a Change in Control)</i></b>						
Cash Severance(1)	\$ 375,000	\$ 500,000	\$ 375,000	\$ 300,000	\$ 220,000	\$ 240,000
Value of Accelerated Stock Options(2)						
Value of Accelerated Unvested Restricted Stock(3)	1,274,618	1,055,027	698,713	425,141	314,693	336,173
<b>Total</b>	<b>\$ 1,649,618</b>	<b>\$ 1,555,027</b>	<b>\$ 1,073,713</b>	<b>\$ 725,141</b>	<b>\$ 534,693</b>	<b>\$ 576,173</b>
<b><i>Change in Control of the Company (Regardless of Termination of Employment)</i></b>						
Value of Accelerated Stock Options(2)						
Value of Accelerated Unvested Restricted Stock(3)	\$ 1,274,618	\$ 1,055,027	\$ 698,713	\$ 425,141	\$ 314,693	\$ 336,173
<b>Total</b>	<b>\$ 1,274,618</b>	<b>\$ 1,055,027</b>	<b>\$ 698,713</b>	<b>\$ 425,141</b>	<b>\$ 314,693</b>	<b>\$ 336,173</b>

(1) Reflects cash severance equal to 12 months of the executive's fiscal year 2009 annual salary.

(2) Reflects the excess, if any, of the fair market value of shares underlying unvested options as of January 29, 2010 (\$31.13), the last trading day of our 2009 fiscal year, over the exercise price of the options. For purposes of this calculation, outstanding unvested options having an exercise price greater than the Company's stock price as of January 29, 2010 have a value of \$0. Pursuant to the terms of both the 2005 Long-Term Incentive Plan and the 1999 Stock Option Plan, all stock options vest upon the occurrence of a change in control.

(3) Reflects the value of restricted stock awards using the closing stock price of the Company's common stock on January 29, 2010 (\$31.13), the last trading day of our 2009 fiscal year. Pursuant to the terms of the grants of restricted stock issued and outstanding, such shares become 100% vested upon a change in control of the Company.



Table of Contents**Director Compensation Table for Fiscal Year 2009**

The following table sets forth the cash and other compensation paid by the Company to the members of the board of directors of the Company for all services in all capacities during fiscal year 2009, except for Mr. Anderson, who was not compensated for his services as a director in fiscal year 2009 because he was serving as Chief Executive Officer through April 4, 2009 and Executive Chairman through the remainder of the fiscal year.

Name	Fees Earned or		Total
	Paid in Cash	Stock Awards	
	(\$)	\$(1)	(\$)
Brian P. Carney	86,750	40,000	126,750
Lawrence E. Hyatt	98,750	40,000	138,750
John S. Lupo	95,500	40,000	135,500
Patricia M. Luzier	92,750	40,000	132,750

(1)

Reflects the grant-date fair value of 1,816 shares of restricted stock awards computed in accordance with FASB ASC Topic 718 and based on the Company's stock price at the close of business on the date of grant, March 30, 2009.

The aggregate number of shares of restricted stock held by each director as of January 30, 2010 was 1,816. There were no awards of stock options to directors in fiscal 2009. The aggregate number of shares underlying stock options held by each director as of January 30, 2010 is as follows: Mr. Carney, 0; Mr. Hyatt, 500; Mr. Lupo, 1,500; Ms. Luzier, 2,750.

**Director Compensation**

*Annual Retainer.* During fiscal 2009, each non-employee director received an annual retainer fee of \$70,000. We also provided the following additional annual retainers: Chair of the Audit Committee, \$12,000; Chair of the Nominating and Corporate Governance Committee, \$6,000; and the Chair of the Compensation Committee, \$8,000.

*Meeting Fees.* Each of our non-employee directors received \$2,500 for each board meeting attended and \$750 for telephonic meetings attended. We reimburse all of our non-employee directors for reasonable out-of-pocket expenses in connection with their attendance at the meetings of the board of directors and committees.

*Equity Awards.* In addition, each non-employee director received restricted stock awards of 1,816 shares of the Company's common stock. These awards were granted under the 2005 Long-Term Incentive Plan and vest on the first anniversary of the grant date.

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**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

**Policy and Procedures**

The Company has adopted a Code of Business Conduct and Ethics which sets forth the Company's policy of prohibiting participation by an employee, officer or director (or his/her family members) in any transaction that could create an actual or apparent conflict of interest with the Company. Transactions prohibited by the Code of Business Conduct and Ethics, among other things, include: conducting business or engaging in a transaction on behalf of the Company with a family member or significant other or with a company in which the person or one of their family members is a significant owner or is associated or employed in a significant role or position; an employee accepting simultaneous employment with a client, credit source, supplier, or competitor, or taking part in any activity that enhances or supports a competitor's position; a director of the Company serving as a director of any other company that competes with the Company; and transactions in which an employee, officer or director invests in a client, credit source, supplier or competitor that compromises his or her responsibilities to the Company.

The Company's Code of Business Conduct and Ethics requires that the Audit Committee must review and approve in advance all material related party transactions or business or professional relationships that could present a conflict of interest. All instances involving potential related party transactions or such business or professional relationships must be reported to the Chief Executive Officer who will assess the materiality of the transaction or relationship and elevate the matter to the Audit Committee as appropriate. The Company will report all material related party transactions and such business or professional relationships under applicable accounting rules and the SEC's rules and regulations. Any dealings with a related party will be conducted in such a way as to avoid preferential treatment and assure that the terms obtained by the Company are no less favorable than could be obtained from unrelated parties on an arm's-length basis.

In addition, the charter of the Audit Committee requires the Audit Committee to review and approve all related party transactions as defined by Item 404 of the SEC's Regulation S-K in accordance with NASDAQ listing standards. It is also one of the responsibilities of the Nominating and Corporate Governance Committee, as set forth in its charter, to consider possible conflicts of interests of directors and any related party transactions in connection with the determination of director independence.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own, or are part of a group that owns, more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten percent stockholders are required by regulation of the SEC to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of reports furnished to us, all reports required by Section 16(a) of the Exchange Act to be filed by our directors and executive officers and all beneficial owners of more than ten percent of our common stock outstanding to report transactions in our securities were timely filed.



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The following table sets forth information known to us with respect to the beneficial ownership of our common stock as of March 29, 2010, for the following persons:

each stockholder known by us to own beneficially more than 5% of our common stock;

each of our directors and named executive officers; and

all directors and executive officers as a group.

This table lists applicable percentage ownership based on 14,853,609 shares of common stock outstanding as of March 29, 2010. We have determined beneficial ownership in the table in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have deemed shares of common stock subject to options held by that person that are currently exercisable or will become exercisable within 60 days of March 29, 2010, to be outstanding, but we have not deemed these shares to be outstanding for computing the percentage ownership of any other person. To our knowledge, except as set forth in the footnotes below, each stockholder identified in the table possesses sole voting and investment power with respect to all shares of common stock shown as beneficially owned by that stockholder.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Class
<b>Directors and Named Executive Officers:</b>		
R. Edward Anderson	152,072(1)	1.0%
Chairman of the Board		
R. David Alexander, Jr.	59,067	*
President, Chief Executive Officer and Director		
Elizabeth R. Feher	30,165	*
Executive Vice President and Chief Merchandising Officer		
Bruce D. Smith	21,545	*
Executive Vice President and Chief Financial Officer		
James A. Dunn	33,522(2)	*
Senior Vice President of Store Operations		
Ivy D. Council	17,642(3)	*
Senior Vice President of Human Resources		
Brian P. Carney	6,458	*
Director		
Lawrence E. Hyatt	7,786(4)	*
Director		
John S. Lupo	8,786(5)	*
Director		
Patricia M. Luzier	10,036(6)	*
Director		
Directors and executive officers as a group (ten persons)	347,079(7)	2.3%



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Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Class
<b>Other Beneficial Owners:</b>		
FMR LLC(8)	2,069,942	13.9%
82 Devonshire Street Boston, MA 02109		
Morgan Stanley(9)	1,490,675	10.0%
1585 Broadway New York, NY 10036		
Soros Fund Management LLC(10)	1,198,157	8.1%
888 Seventh Avenue 33 <sup>rd</sup> Floor New York, NY 10106		
Lord, Abnett & Co. LLC(11)	1,015,415	6.8%
90 Hudson Street Jersey City, NJ 07302		
The Bank of New York Mellon Corporation(12)	798,843	5.4%
One Wall Street, 31 <sup>st</sup> Floor New York, NY 10286		
BlackRock, Inc.(13)	781,100	5.3%
40 East 52 <sup>nd</sup> Street New York, NY 10022		

\* Denotes less than 1%.

- (1) Includes options to purchase 9,000 shares of common stock that are currently exercisable or will become exercisable within 60 days of March 29, 2010.
- (2) Includes options to purchase 18,598 shares of common stock that are currently exercisable or will become exercisable within 60 days of March 29, 2010.
- (3) Includes options to purchase 1,500 shares of common stock that are currently exercisable or will become exercisable within 60 days of March 29, 2010.
- (4) Includes options to purchase 500 shares of common stock that are currently exercisable or will become exercisable within 60 days of March 29, 2010.
- (5) Includes options to purchase 1,500 shares of common stock that are currently exercisable or will become exercisable within 60 days of March 29, 2010.
- (6) Includes options to purchase 2,750 shares of common stock that are currently exercisable or will become exercisable within 60 days of March 29, 2010.
- (7) Includes options to purchase 33,848 shares of common stock that are currently exercisable or will become exercisable within 60 days of March 29, 2010.

(8)

This information is based on a Schedule 13G/A filed on February 16, 2010. FMR LLC is a parent holding company with sole voting power with respect to 557,105 shares of our common stock and sole dispositive power with respect to 2,069,942 shares of our common stock. Fidelity Management & Research Company ("Fidelity"), a wholly-owned subsidiary of FMR LLC and an investment adviser, is the beneficial owner of 1,513,137 shares of our common stock as a result of acting as investment adviser to various investment funds. Edward C. Johnson 3d and FMR LLC,

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through its control of Fidelity, and the investment funds each has sole power to dispose of the 1,513,137 shares owned by the funds. One fund, Fidelity OTC Portfolio, is the beneficial owner of 816,337 shares of our common stock. Pyramis Global Advisors, LLC is the beneficial owner of 2,185 shares of our common stock as a result of serving as investment advisor to institutional accounts and funds owning such shares. Edward C. Johnson 3d and FMR LLC, through control of Pyramis Global Advisors, LLC, each has sole voting and dispositive power over the 2,185 shares owned by the institutional accounts and funds advised by Pyramis Global Advisors. Pyramis Global Advisors Trust Company, an indirect wholly-owned subsidiary of FMR LLC and a bank, is the beneficial owner of 18,210 shares of our common stock as a result of serving as investment manager of institutional accounts owning such shares. Edward C. Johnson 3d and FMR LLC, through its control of Pyramis Global Advisors Trust Company, each has sole dispositive power over, and sole power to vote or to direct the voting of, 18,210 shares of our common stock. FIL Limited provides investment advisory services to a number of non-U.S. investment companies and certain institutional investors and is the beneficial owner of 536,410 shares of our common stock.

- (9) This information is based on a Schedule 13G/A filed on February 12, 2010. Morgan Stanley is a parent holding company with sole voting power with respect to 1,414,538 shares of our common stock and sole dispositive power with respect to 1,490,675 shares of our common stock. Morgan Stanley Investment Management Inc. is a wholly-owned subsidiary of Morgan Stanley and is an investment adviser with sole voting power with respect to 1,388,946 shares of our common stock and sole dispositive power with respect to 1,465,083 shares of our common stock.
- (10) This information is based on a Schedule 13G filed on February 16, 2010. The shares listed in the table are held for the account of Quantum Partners, Ltd. Soros Fund Management LLC ("SFM") serves as principal investment manager to Quantum Partners and has sole voting power and sole dispositive power with respect to all of the shares. Each of George Soros, Chairman of SFM, Robert Soros, Deputy Chairman of SFM, and Jonathan Soros, President and Deputy Chairman of SFM, have shared voting power and shared dispositive power with respect to all of the shares.
- (11) This information is based on a Schedule 13G filed on February 12, 2010. The shares listed in the table are held on behalf of investment advisory clients of Lord, Abnett & Co. LLC, which has sole voting power with respect to 910,830 shares and sole dispositive power with respect to all of the shares.
- (12) This information is based on a Schedule 13G filed on February 4, 2010. The shares listed in the table are beneficially owned by the following direct and indirect subsidiaries of the Bank of New York Mellon Corporation: The Bank of New York Mellon; BNY Mellon, National Association; The Boston Company Asset Management LLC; The Dreyfus Corporation (parent holding company of MBSC Securities Corporation); Mellon Capital Management Corporation; MAM (MA) Holding Trust (parent holding company of Standish Mellon Asset Management Company LLC and The Boston Company Asset Management LLC); MBC Investments Corporation (parent holding company of Mellon Capital Management Corporation and Neptune LLC). The Bank of New York Mellon Corporation has sole voting power with respect to 751,148 shares and sole dispositive power with respect to all of the shares.
- (13) This information is based on a Schedule 13G filed on January 29, 2010. The shares listed in the table are beneficially owned by the following subsidiaries of BlackRock, Inc.: BlackRock Asset Management Japan Limited; BlackRock Institutional Trust Company, N.A.; BlackRock Fund Advisors; BlackRock Asset Management Australia Limited and BlackRock Investment Management, LLC. BlackRock, Inc. has sole voting power and sole dispositive power with respect to all of the shares.

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**PROPOSAL 2:  
RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our Audit Committee has appointed KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011, and further directed that the appointment of KPMG LLP be submitted for ratification by the stockholders at the annual meeting. KPMG LLP has served as our independent registered public accounting firm since fiscal 2002. We understand that a representative from KPMG LLP will be present at the annual meeting, will have the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

Stockholder ratification of the appointment of KPMG LLP as our independent registered public accounting firm is not required. However, the appointment is being submitted for ratification at the annual meeting with a view toward soliciting the stockholders' opinions, which the Audit Committee will take into consideration in future deliberations. If the appointment of KPMG LLP is not ratified at the annual meeting, the Audit Committee will consider the engagement of another independent registered public accounting firm. The Audit Committee may terminate the engagement of KPMG LLP as our independent registered public accounting firm without the approval of our stockholders whenever the Audit Committee deems termination necessary or appropriate.

**Principal Accounting Fee Information**

The following table sets forth the aggregate fees paid or payable to KPMG LLP relating to the audit of our fiscal 2008 and 2009 financial statements and the fees billed to us in 2008 and 2009 by KPMG LLP for other professional services:

	Fiscal 2008	Fiscal 2009
Audit Fees(1)	\$ 833,771	\$ 809,000
Audit-Related Fees		
Tax Fees		
All Other Fees		

(1) Audit fees include amounts billed to us related to the annual audit of our financial statements and interim reviews of the quarterly financial statements filed for fiscal 2008 and fiscal 2009.

*Audit Committee Pre-Approval Policy*

In accordance with our Audit Committee pre-approval policy, all audit services performed for us by our independent registered public accounting firm were pre-approved by our Audit Committee.

Our Audit Committee's pre-approval policy provides that our independent registered public accounting firm shall not provide services that have the potential to impair or appear to impair the independence of the audit role. The pre-approval policy requires our independent registered public accounting firm to provide an annual engagement letter to our Audit Committee outlining the scope of the audit services proposed to be performed during the fiscal year. Upon the Audit Committee's acceptance of and agreement with such engagement letter, the services within the scope of the proposed audit services shall be deemed pre-approved pursuant to the policy.

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The pre-approval policy provides for categorical pre-approval of specified audit and permissible non-audit services and requires the specific pre-approval by the Audit Committee, prior to engagement, of such services, other than audit services covered by the annual engagement letter. In addition, services to be provided by our independent registered public accounting firm that are not within the category of pre-approved services must be approved by the Audit Committee prior to engagement, regardless of the service being requested or the dollar amount involved.

Requests or applications for services that require specific separate approval by the Audit Committee are required to be submitted to the Audit Committee by both management and the independent registered public accounting firm, and must include a detailed description of the services to be provided.

Our policies prohibit us from engaging the independent registered public accounting firm to provide any services relating to bookkeeping or other services related to accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, or contribution-in-kind reports, actuarial services, any management function, legal services or expert services not related to the audit, broker-dealer, investment adviser, or investment banking services or human resource consulting. In addition, we evaluate whether our use of the independent registered public accounting firm for permitted non-audit services is compatible with maintaining the independence of the independent registered public accounting firm.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee is prohibited from delegating to management its responsibilities to pre-approve services to be performed by our independent registered public accounting firm.

**Vote Required; Recommendation**

The affirmative vote of a majority of the votes cast at the annual meeting is required to ratify the appointment of KPMG LLP as our independent registered public accounting firm.

**The board of directors recommends that stockholders vote "FOR" ratification of the appointment of KPMG LLP as the independent registered public accounting firm of the Company for the fiscal year ending January 29, 2011.**

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**STOCKHOLDER PROPOSALS  
FOR INCLUSION IN NEXT YEAR'S PROXY STATEMENT**

Any proposal or proposals by a stockholder pursuant to the proxy solicitation rules of the SEC intended to be included in the proxy statement and proxy card relating to the 2011 annual meeting of stockholders must be received by us no later than December 24, 2010. In addition, if you desire to bring business (including director nominations) before our 2011 annual meeting of stockholders, you must comply with our bylaws, which require that you provide written notice of such business to our Secretary at the address of our executive offices, which notice must be received no earlier than January 26, 2011, and no later than February 25, 2011. Nothing in this paragraph shall be deemed to require us to include in our proxy statement and proxy relating to the 2011 annual meeting of stockholders any stockholder proposal which may be omitted from the proxy materials pursuant to applicable regulations of the SEC in effect at the time such proposal is received.

Notices of intention to present proposals at the 2011 annual meeting should be addressed to the Company, Attention: Secretary, 104 Coleman Boulevard, Savannah, Georgia 31408.

**ANNUAL REPORT ON FORM 10-K**

Our Annual Report on Form 10-K for the fiscal year ended January 30, 2010, as filed with the SEC, accompanies this proxy statement. A copy of the Annual Report is available, without charge, upon written request directed to our Secretary at the corporate address set forth above.

**OTHER BUSINESS**

We know of no other matter to come before the meeting. However, if any other matter requiring a vote of the stockholders should arise, it is the intention of the persons named in the enclosed proxy to vote such proxy in accordance with their best judgment.













